

September 5, 2008

Mary Cottrell, Secretary  
Department of Public Utilities  
One South Station  
Boston, MA 02110

Re: New England Gas Company, D.T.E. 04-42; D.T.E 04-43

New England Gas Company (“New England” or the “Company”) submits this letter in response to the comments of the Attorney General filed on August 25, 2008 (the “AG Comments”) with respect to the Company’s August 15, 2008 Petition for Expanded Funding for Existing Residential Energy Efficiency Programs and Recovery of Energy Efficiency Related Costs for the Period Commencing September 1 and Ending April 30, 2009 (the “August 15 Filing”). The Company writes to clarify certain issues raised in the AG Comments. The Company is proud of the collaborative energy efficiency effort it has been operating pursuant to the Department-approved settlements in New England Gas Company, D.T.E. 04-42; and D.T.E.04-43 (2004) (the “Settlements”) and is willing to work with the Attorney General, or any other interested party, to ensure that its August 15, 2008 proposal is clearly understood.

In overview, the Attorney General indicates her belief that in several instances, the Company has not provided the full information requested by the Department in its letter of July 25, 2008 opening this proceeding (the “July 25 Letter”). In order to avoid any misunderstanding, the Company provides the following summary of each of the eight items requested in the Department’s July 25 letter and where it is directly addressed in the Company’s August 15 Filing.<sup>1</sup>

1. The energy efficiency programs that are targeted at residential heating end-uses. As set forth in Attachment A, Exhibit 5 of the August 15 Filing, the Company operates Residential and Low-Income Programs pursuant to the Settlements. See also, J. Carey testimony at pp 4-5. Both programs target heating usage and there does not appear to be a controversy on this item.

2. The additional dollars the Company projects it can spend in a cost-effective manner. Exhibit 5 of Attachment A to Mr. Carey testimony sets forth the additional dollars the Company projects to spend in a cost-effective manner. In summary, Exhibit 5 demonstrates that the Company has proposed increasing its residential budget by \$71,431 and its low-income budget by \$43,648 as compared with its June 30, 2008 budget, which is attached hereto for the

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<sup>1</sup> Pages 11-12 of Mr. Carey’s testimony also provide an explicit recital of each of these eight items and how it is addressed in the Company’s filing.

Attorney General's convenience of reference in Reply Schedule 1.<sup>2</sup> The Company has also requested the flexibility to spend in excess of this amount by up to 10% without the need for former Department approval. See J. Carey Testimony at p. 10. All administrative expenses are separately detailed in Exhibit 5 in the format developed in the Settlements.

3. The constraints that limit the additional dollars the Company projects it could spend cost-effectively. Mr. Carey explicitly testified: "As discussed at the July 29, 2008 Technical Conference, the Company notes that achievable savings are necessarily **limited by constraints** in program delivery infrastructure (e.g. the level of qualified contractors in the field) and the need to maintain quality and safety controls for an expanded level of program activity." J. Carey testimony at p. 8. These program delivery infrastructure limits remain the largest constraint on program expansion for Berkshire.

4. The additional number of residential customers that will be served. Mr. Carey testified: "As reflected in Attachment A, Schedule 5, the Company projects increasing participation (as opposed to spending) in its residential programs by approximately 24%." Testimony at p. 11. The Company expressed this additional amount as a percentage as it, and other filers, believed that format to be most helpful and responsive to the Department. To follow up and directly respond to the Attorney General's comment, this percentage equates to approximately 90 additional residential and low-income heating customers, in the aggregate.

5. The additional kilowatt-hour, kilowatt, therms or mmbtu savings that will be achieved. Mr. Carey testified: "Energy savings achieved should be increased by at least 12% to 15%." See J. Carey testimony at p. 11. Again, the Company expressed this additional amount as a percentage as it believed that format to be most helpful and responsive to the Department. To follow up and directly respond to the Attorney General's comment, this range equates to approximately 8,000 of additional therm savings for residential and low-income programs. See e.g. Attachment A, Exhibit 7A and 7B, Line 6.

6. The dollar savings on monthly bills that additional participants will be expected to realize. See J. Carey testimony at p. 10-11. There appears to be no controversy on this item.

7. The effect on the cost-effectiveness of the applicable programs. As reviewed at the technical session, the Department did not require that potentially expensive new cost-effectiveness screening runs be performed. Rather, in its July 25 Letter, the Department required that the effect on cost-effectiveness of the proposals be expressly addressed. Mr. Carey explicitly addresses cost-effectiveness at p. 8-9 of his testimony and how the Company's proposal maintains program cost-effectiveness.<sup>3</sup> In sum, the Company respectfully believes it has fully responded to the Department's requirements in an administratively efficient manner, consistent

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<sup>2</sup> As testified by Mr. Carey, the Company's August 15 Filing proposes an approximately 24% increase to the currently proposed (June 30, 2008) budget set forth in Reply Schedule 1 for ease of reference. See J. Carey testimony at p. 8. Use of Attachment A, Exhibit 1, 2007-2008 (Actual Expenditures through April 30, 2008--which were higher than projected) as the comparison point, as appeared to have been done in the comments of Environment Northeast, understates the increase proposed by Berkshire, especially when the Company has also requested flexibility to spend 10% more than requested if market conditions allow.

<sup>3</sup> As set forth in Attachment A, Exhibit 6, Residential Program cost-effectiveness as of June 30, 2008 was 3.66. Under no rational set of assumptions would this ratio be reduced to less than 1.0 based on the Company's proposal.

with the discussion during the technical session, that avoids the expense of a new screening being performed.

8. The Company's proposed mechanism for recovery of incremental expenditures. See Mr. Carey testimony at pp. 10-11. There does not appear to be any controversy on this issue.

In sum, the Company respectfully submits that the August 15 Filing addresses the Department's July 25 Letter in a good faith and direct manner.

RCS Matters. Similar to the Cape Light Compact, the Company supports and endorses the enhancements to the RCS program developed in collaboration with the DOER.

Conclusion. In closing, the Company emphasizes that it is willing to work cooperatively with the Attorney General and all other interested parties to ensure that customers have the tools to save energy in the upcoming heating season. Should you have any questions in this matter, please do not hesitate to contact James at (508) 730-1037 or the undersigned at (508) 672-1501.

Very truly yours,

Jody M. Stiefel

cc: Service List